

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha symbol in orange on a dark red background.

Developers Diversified Realty Corp. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from the line of Christine McElroy from Banc of America. Please proceed.

Christine McElroy - Banc of America

Hi, good morning.

Scott Worstein

Good morning.

Christine McElroy - Banc of America

All of you talked about undercapitalized developers looking for stronger partners on projects, have you added any projects to your pipeline recently that were sourced in this way? And can you provide a little bit more color on how you would underwrite and structure a development partnership like that with original developers in distress?

Scott Worstein

Sure. First we have not added any projects to our pipeline currently under this structured, but we have a number of them that we are evaluating. We've looked at a lot of them a number of them. There is a reason why they are in distress, and that's not why we want to get involved in them, but we have a number in the pipeline now that looks very promising and pending our gauge of tenant interest at ICSE in Vegas, we would probably be adding some in the second quarter.

And regard to the structure of the deals that are all very different, its really -- a lot depends on the capability of the developer and how the developer wants to handle the situation and also depends on how deep the distress is, that the developers is in? What their goal is? If there goal is stay in the ownership cycle, if they want to perform leasing services or the development services or if they are looking to just recoup some cost and try to get out and survive for another day.

So we have seen everything from a 50/50 pay/pursue proposal to developers that are willing to subordinate all their interest and all their fees to a 9.5% to 10% return, just to get us enticed to join the project. So a lot of it will depend on the where the developer is in his cycle and what our level of interest is. But it is going to be, there is not going to be a real form in any of these deals. It is gong to be very, very deal specific.

Bill Schafer

I am sorry, Christie I want to add something to what Dan said. I just want to make sure everybody understands our role in those. We really view ourselves as pretty much a bridge for private capital to invest in these projects. It really isn't something we're looking at expand our obligations for construction progress.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.